

**REPORT OF THE AUDIT OF THE
OHIO COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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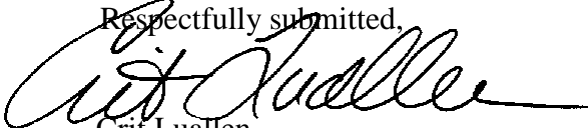


CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable David Jones, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Ohio County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OHIO COUNTY FISCAL COURT

June 30, 2010

Tichenor & Associates, LLP, has completed the audit of the Ohio County Fiscal Court for fiscal year ended June 30, 2010.

The financial statements of Ohio County Hospital Corporation, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Ohio County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

In accordance with OMB Circular A-133, we have issued unqualified opinions on the compliance requirements that are applicable to Ohio County's major federal programs: Airport Improvement Program (CFDA #20.106) and Community Development Block Grant (CFDA #14.228).

Financial Condition:

The fiscal court had total net assets of \$13,234,167 as of June 30, 2010. The fiscal court had unrestricted net assets of \$3,123,622 in its governmental activities as of June 30, 2010, with total net assets of \$10,106,557. In its business-type activities, total net cash and cash equivalents were \$44,627 with total net assets of \$3,127,610. The fiscal court's discretely presented component unit had net assets of \$8,948,737 as of September 30, 2010. The discretely presented component unit had unrestricted net assets of \$3,060,749. The fiscal court had total debt principal as of June 30, 2010 of \$1,948,852 with \$142,803 due within the next year. The discretely presented component unit had total debt principal as of September 30, 2010 of \$6,550,710 with \$691,489 due within the next year.

Report Comments:

2010-1 The Ohio County Airport Board Deposits Were Not Made Timely

2010-2 The Ohio County Detention Center Deposits Were Not Made Timely

2010-3 The Fiscal Court Should Establish Procedures To Ensure Compliance With Suspension And Debarment Requirements

2010-4 The Ohio County Airport Board Should Establish Procedures To Minimize Elapsed Time Between Drawdown And Disbursement Of Federal Funds

Deposits:

The fiscal court and component unit's deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable David Jones, Ohio County Judge/Executive

Members of the Ohio County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Ohio County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Ohio County Hospital Corporation, a discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit opinion unit is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion unit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. The financial statements of the Ohio County Hospital Corporation were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

As described in Note 1, Ohio County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Ohio County Hospital Corporation, a discretely presented component unit, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable David Jones, Ohio County Judge/Executive

Members of the Ohio County Fiscal Court

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Ohio County Hospital Corporation's financial statements been prepared using the same basis of accounting as Ohio County, Kentucky, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Ohio County, Kentucky, as of June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ohio County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2010, on our consideration of Ohio County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the People of Kentucky
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Members of the Ohio County Fiscal Court

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2010-1** The Ohio County Airport Board Deposits Were Not Made Timely
- 2010-2** The Ohio County Detention Center Deposits Were Not Made Timely
- 2010-3** The Fiscal Court Should Establish Procedures To Ensure Compliance With Suspension And Debarment Requirements
- 2010-4** The Ohio County Airport Board Should Establish Procedures To Minimize Elapsed Time Between Drawdown And Disbursement Of Federal Funds

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP

December 21, 2010

OHIO COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

David Jones	County Judge/Executive
Dean Minton	Magistrate
Jason Bullock	Magistrate
Richard Robinson	Magistrate
Larry Keown	Magistrate
Billy Burden	Magistrate

Other Elected Officials:

Greg Hill	County Attorney
Gerry Wright	Jailer
Bess Ralph	County Clerk
Elvis Doolin	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner

Appointed Personnel:

Anne Melton	County Treasurer
Janice Embry	Finance Officer
Robert Cox	Deputy Judge/Executive
Lugenia Sapp	Occupational Tax Administrator
Joseph Woods	Road Supervisor
Ruth Jameson	911 Administrator
Sharon Wright	Jail Administrative Assistant/Bookkeeper

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Ohio County Hospital Corporation 9/30/2010
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,123,622	\$ 44,627	\$ 3,168,249	\$ 3,894,312
Assets Limited to Use				3,382,530
Patient Accounts Receivable				3,012,385
Other Accounts Receivable				375,667
Supplies				659,701
Prepaid Expenses and Other				194,835
Total Current Assets	<u>3,123,622</u>	<u>44,627</u>	<u>3,168,249</u>	<u>11,519,430</u>
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Construction in Progress		1,050,308	1,050,308	179,031
Land	926,147	215,203	1,141,350	416,987
Land Improvements	30,366	1,349,754	1,380,120	109,382
Buildings and Building Improvements	3,849,821	460,058	4,309,879	2,305,636
Machinery and Equipment	1,582,509	7,660	1,590,169	2,622,114
Vehicles	749,082		749,082	
Infrastructure	1,793,862		1,793,862	
Deferred Financing Costs, At Amortized Cost				120,579
Other				126,227
Hospital Assets Held by Trustee				697,400
Total Noncurrent Assets	<u>8,931,787</u>	<u>3,082,983</u>	<u>12,014,770</u>	<u>6,577,356</u>
Total Assets	<u>12,055,409</u>	<u>3,127,610</u>	<u>15,183,019</u>	<u>18,096,786</u>
LIABILITIES				
Current Liabilities:				
Bonds Payable				475,000
Financing Obligations Payable	142,803		142,803	216,489
Accounts Payable				528,790
Accrued Payroll and Other Expenses				1,386,799
Unearned Revenue				281,750
Estimated Amounts Due to Third -Party Payers				400,000
Total Current Liabilities	<u>142,803</u>	<u></u>	<u>142,803</u>	<u>3,288,828</u>
Noncurrent Liabilities:				
Bonds Payable				5,455,000
Financing Obligations Payable	1,806,049		1,806,049	404,221
Total Noncurrent Liabilities	<u>1,806,049</u>	<u></u>	<u>1,806,049</u>	<u>5,859,221</u>
Total Liabilities	<u>1,948,852</u>	<u></u>	<u>1,948,852</u>	<u>9,148,049</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Ohio County Hospital Corporation 9/30/2010
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 6,982,935	\$ 3,082,983	\$ 10,065,918	\$ 2,485,214
Restricted for:				
Capital Projects				3,129,374
Debt Service				273,400
Unrestricted	3,123,622	44,627	3,168,249	3,060,749
Total Net Assets	<u>\$ 10,106,557</u>	<u>\$ 3,127,610</u>	<u>\$ 13,234,167</u>	<u>\$ 8,948,737</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,446,965	\$ 272,404	\$ 429,016	\$ 1,034,818
Protection to Persons and Property	2,625,550	35,989	720,123	66,547
General Health and Sanitation	342,803	255,779	2,264	
Social Services	240,180			
Recreation and Culture	147,613	90,436		
Roads	1,396,005		1,746,251	491,294
Airports	17,033			
Interest on Long-term Debt	98,908			
Total Governmental Activities	10,315,057	654,608	2,897,654	1,592,659
Business-type Activities:				
Jail Canteen	8,537	7,978		
Airport Board	133,132	9,760		1,085,119
Total Business-type Activities	141,669	17,738		1,085,119
Total Primary Government	\$ 10,456,726	\$ 672,346	\$ 2,897,654	\$ 2,677,778
Discretely Presented Component Unit:				
Ohio County Hospital Corporation	\$ 26,079,928	\$ 26,083,425	\$ 0	\$ 0

General Revenues:

Taxes:

Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Occupational / Net Profit Taxes
 Deed Transfer Taxes
 Auto Sticker Taxes
 Telephone 911 Taxes
 Franchise Taxes
 Other Taxes
 Excess Fees
 Reimbursements
 Interest Received
 Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit 9/30/2010
Governmental Activities	Business-Type Activities	Totals	
\$ (3,710,727)	\$	\$ (3,710,727)	\$
(1,802,891)		(1,802,891)	
(84,760)		(84,760)	
(240,180)		(240,180)	
(57,177)		(57,177)	
841,540		841,540	
(17,033)		(17,033)	
(98,908)		(98,908)	
(5,170,136)		(5,170,136)	
	(559)	(559)	
	961,747	961,747	
	961,188	961,188	
(5,170,136)	961,188	(4,208,948)	
			3,497
467,994		467,994	
9,970		9,970	
81,337		81,337	
2,226,444		2,226,444	
32,471		32,471	
204,337		204,337	
378,007		378,007	
136,132		136,132	
52,693		52,693	
983,095		983,095	
2,170,833		2,170,833	
22,926	325	23,251	20,583
44,735	17,721	62,456	333,431
6,810,974	18,046	6,829,020	354,014
1,640,838	979,234	2,620,072	357,511
8,465,719	2,148,376	10,614,095	8,591,226
\$ 10,106,557	\$ 3,127,610	\$ 13,234,167	\$ 8,948,737

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

OHIO COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

			Local Government			
	General Fund	Road And Bridge Fund	Economic Assistance Fund	Occupational Tax Fund	Non- Major Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 359,757	\$ 263,915	\$ 323,953	\$1,656,843	\$ 519,154	\$ 3,123,622
Total Assets	<u>\$ 359,757</u>	<u>\$ 263,915</u>	<u>\$ 323,953</u>	<u>\$1,656,843</u>	<u>\$ 519,154</u>	<u>\$ 3,123,622</u>
FUND BALANCES						
Reserved for:						
Encumbrances	\$ 2,293	\$ 7,761	\$ 7,315	\$	\$ 311	\$ 17,680
Unreserved:						
General Fund	357,464					357,464
Special Revenue Funds		256,154	316,638	1,656,843	518,843	2,748,478
Total Fund Balances	<u>\$ 359,757</u>	<u>\$ 263,915</u>	<u>\$ 323,953</u>	<u>\$1,656,843</u>	<u>\$ 519,154</u>	<u>\$ 3,123,622</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 3,123,622
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported In The Funds.	12,466,061
Accumulated Depreciation	(3,534,274)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore,	
Is Not Reported In The Funds.	
Financing Obligations	<u>(1,948,852)</u>
Net Assets of Governmental Activities	<u>\$ 10,106,557</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

OHIO COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	General Fund	Road And Bridge Fund	Local Government Economic Assistance Fund	Occupational Tax Fund
REVENUES				
Taxes	\$ 1,210,370	\$		\$ 2,226,444
In Lieu Tax Payments	334			
Licenses and Permits	128,385			
Intergovernmental	1,745,819	1,808,603	1,128,167	
Charges for Services	109,615			
Miscellaneous	193,058	24,937		1,983,051
Interest	1,958	4,918	1,435	10,583
Total Revenues	<u>3,389,539</u>	<u>1,838,458</u>	<u>1,129,602</u>	<u>4,220,078</u>
EXPENDITURES				
General Government	2,214,230		469,335	316,234
Protection to Persons and Property	526,298		505,418	1,209,743
General Health and Sanitation	180,166		5,000	
Social Services	236,580			
Recreation and Culture	256,906		18,300	
Roads		1,554,789	201,707	
Airports	11,269		5,764	
Debt Service	169,087	91,818	37,488	354,472
Administration	1,028,618	289,979		33,704
Total Expenditures	<u>4,623,154</u>	<u>1,936,586</u>	<u>1,243,012</u>	<u>1,914,153</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,233,615)</u>	<u>(98,128)</u>	<u>(113,410)</u>	<u>2,305,925</u>
Other Financing Sources (Uses)				
Transfers Out				(1,900,728)
Transfers In	1,375,000			
Financing Obligation Proceeds			300,000	300,000
Total Other Financing Sources (Uses)	<u>1,375,000</u>	<u></u>	<u>300,000</u>	<u>(1,600,728)</u>
Net Change in Fund Balances	141,385	(98,128)	186,590	705,197
Fund Balances - Beginning	218,372	362,043	137,363	951,646
Fund Balances - Ending	<u>\$ 359,757</u>	<u>\$ 263,915</u>	<u>\$ 323,953</u>	<u>\$ 1,656,843</u>

The accompanying notes are an integral part of the financial statements.

OHIO COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 6,078	\$ 3,442,892
	334
	128,385
1,079,824	5,762,413
272,679	382,294
15,605	2,216,651
4,032	22,926
<u>1,378,218</u>	<u>11,955,895</u>
857,300	3,857,099
601,726	2,843,185
156,119	341,285
	236,580
	275,206
	1,756,496
	17,033
	652,865
<u>163,369</u>	<u>1,515,670</u>
<u>1,778,514</u>	<u>11,495,419</u>
<u>(400,296)</u>	<u>460,476</u>
	(1,900,728)
525,728	1,900,728
	600,000
<u>525,728</u>	<u>600,000</u>
125,432	1,060,476
393,722	2,063,146
<u>\$ 519,154</u>	<u>\$ 3,123,622</u>

The accompanying notes are an integral part of the financial statements.

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**OHIO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2010

OHIO COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,060,476
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported as Depreciation Expense.	
Capital Outlay	1,150,416
Depreciation Expense	(395,811)
Book Value Of Capital Assets Disposed	(58,247)
Capital Asset Removed from Construction in Progress	(69,953)
The Issuance or Retirement of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds. This Transaction, However, Has No Effect on Net Assets.	
Financing Obligation Proceeds	(600,000)
Financing Obligation and Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. However, These Transactions Have No Effect On Net Assets.	
Financing Obligations	<u>553,957</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,640,838</u></u>

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OHIO COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

OHIO COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Jail Canteen Fund</u>	<u>Airport Board Fund</u>	<u>Totals</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 7,969	\$ 36,658	\$ 44,627
Total Current Assets	<u>7,969</u>	<u>36,658</u>	<u>44,627</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction in Progress		1,050,308	1,050,308
Land		215,203	215,203
Land Improvements		1,349,754	1,349,754
Building and Building Improvements		460,058	460,058
Machinery and Equipment		7,660	7,660
Total Noncurrent Assets		<u>3,082,983</u>	<u>3,082,983</u>
Total Assets	<u>7,969</u>	<u>3,119,641</u>	<u>3,127,610</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt		3,082,983	3,082,983
Unrestricted	7,969	36,658	44,627
Total Net Assets	<u>\$ 7,969</u>	<u>\$ 3,119,641</u>	<u>\$ 3,127,610</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

OHIO COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	Jail Canteen Fund	Airport Board Fund	Totals
Operating Revenues			
Canteen Receipts	\$ 7,978	\$	\$ 7,978
Rental Services		9,760	9,760
Other Receipts		17,721	17,721
Total Operating Revenues	<u>7,978</u>	<u>27,481</u>	<u>35,459</u>
Operating Expenses			
Educational and Recreational	1,381		1,381
Professional Fees	300	13,333	13,633
Repairs and Maintenance		4,269	4,269
Utilities		5,375	5,375
Depreciation		108,659	108,659
Supplies		636	636
Annual Dues		610	610
Miscellaneous	6,856	250	7,106
Total Operating Expenses	<u>8,537</u>	<u>133,132</u>	<u>141,669</u>
Operating Income (Loss)	<u>(559)</u>	<u>(105,651)</u>	<u>(106,210)</u>
Nonoperating Revenues (Expenses)			
Interest Income	16	309	325
Federal Receipts		507,614	507,614
State Receipts		577,505	577,505
Net Nonoperating Revenues			
(Expenses)	<u>16</u>	<u>1,085,428</u>	<u>1,085,444</u>
Change In Net Assets	<u>(543)</u>	<u>979,777</u>	<u>979,234</u>
Total Net Assets - Beginning	<u>8,512</u>	<u>2,139,864</u>	<u>2,148,376</u>
Total Net Assets - Ending	<u>\$ 7,969</u>	<u>\$ 3,119,641</u>	<u>\$ 3,127,610</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

OHIO COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Jail Canteen Fund</u>	<u>Airport Board Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities			
Cash Receipts From Customers	\$ 7,978	\$	\$ 7,978
Cash Receipts From Rental		9,760	9,760
Cash Receipts From Other		17,721	17,721
Cash Payments For Professional Fees	(300)	(13,333)	(13,633)
Cash Paymentf For Goods and Services	(8,237)	(11,140)	(19,377)
Net Cash Provided (Used) By Operating Activities	(559)	3,008	2,449
Cash Flows From Capital and Related Financing Activities			
Federal Receipts		507,614	507,614
State Receipts		577,505	577,505
Capital Outlay		(1,101,385)	(1,101,385)
Net Cash Provided (Used) By Capital and Related Financing Activities		(16,266)	(16,266)
Cash Flows From Investing Activities			
Interest Earned	16	309	325
Net Cash Provided By Investing Activities	16	309	325
Net Decrease in Cash and Cash Equivalents	(543)	(12,949)	(13,492)
Cash and Cash Equivalents - July 1, 2009	8,512	49,607	58,119
Cash and Cash Equivalents - June 30, 2010	<u>\$ 7,969</u>	<u>\$ 36,658</u>	<u>\$ 44,627</u>
Reconciliation of Operating Loss to Net Cash Used By Operating Activities			
Operating Loss	\$ (559)	\$ (105,651)	\$ (106,210)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities - Depreciation Expense		108,659	108,659
Net Cash Used By Operating Activities	<u>\$ (559)</u>	<u>\$ 3,008</u>	<u>\$ 2,449</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of the Ohio County Hospital Corporation, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Ohio County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

Ohio County Airport Board

The Ohio County Airport Board is not legally separate from the Ohio County Fiscal Court. The Fiscal Court has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Airport Board. Financial information for the Airport Board is blended within Ohio County's financial statements. All activities of the Airport Board are accounted for within a major enterprise fund.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Ohio County Public Facilities Corporation

The Ohio County Fiscal Court appoints the Public Facilities Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Facilities Corporation. There was no financial activity for the Public Facilities Corporation in the fiscal year ended June 30, 2010.

Discretely Presented Component Units

The component unit column in the combined financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organizations separateness from the fiscal court's primary government.

Ohio County Hospital Corporation

The Ohio County Fiscal Court (Fiscal Court) appoints a voting majority of the Ohio County Hospital Corporation governing board. The Ohio County Hospital Corporation is financially accountable and legally obligated for the debt of the hospital as long as a lease dated March 1, 1995, and between the Ohio County Public Facilities Corporation, a component unit of Ohio County and the Ohio County Hospital Corporation is in effect. The Ohio County Hospital Corporation may make additional improvements to the hospital at its own cost, which becomes part of the hospital. Exclusion of this entity as a component unit of Ohio County would cause the county's financial statements to be misleading or incomplete. The financial information for the Hospital is presented discretely within Ohio County's financial statements.

Audited financial statements for the Ohio County Hospital Corporation, a discretely presented component unit, may be requested by contacting the Ohio County Hospital, 1211 Main Street, Hartford Kentucky 42347.

C. Ohio County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Ohio County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Ohio County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Local Government Economic Assistance Fund - The purpose of this fund is to account for local government development funds received from the state government. The funds may be used for roads, protection of persons and property, social services and general health and sanitation expenditures.

Occupational Tax Fund - This fund is used to account for the collection of occupational and net profit tax. Expenditures consist of general operations and transfers to other funds.

The primary government also has the following nonmajor funds: Jail Fund, Federal Grants Fund, Forest Fire Fund, Landfill Fund, and Waterline Fund.

Special Revenue Funds:

The Road and Bridge Fund, Occupational Tax Fund, Federal Grants Fund, Jail Fund, Local Government Economic Assistance Fund, Forest Fire Fund, Landfill Fund, and Waterline Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Funds:

The principal operating revenues of the county's enterprise funds are charges to customers for sales and services in the Jail Canteen Fund and the Airport Board Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Airport Board Fund - The primary purpose of this fund is to account for the activities of the airport. The primary sources of revenue for this fund are from charges to customers and federal aviation grants.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Ohio County Hospital Corporation.

This component unit is presented in a separate column in the combined financial statements. It is also reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organizations separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery and equipment, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-25
Infrastructure	\$ 50,000	10-50

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Ohio County Hospital Corporation (discretely presented component unit), Ohio County Airport Board (blended component unit), and the Ohio County Jail Commissary (blended component unit) Funds are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Ohio County Water District, the Ohio County Library, and the Ohio County Tourism Commission are considered related organizations of the Ohio County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered as joint ventures of the Ohio County Fiscal Court:

- Bluegrass Crossing Industrial Authority (with McLean, Muhlenberg, Hancock, and Daviess Counties)
- Ohio County Regional Wastewater District (with the Cities of Hartford, Centertown, and Beaver Dam)

Note 2. Deposits

The county and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all the County's deposits were covered by FDIC insurance or a properly executed collateral security agreement. As of September 30, 2010, all of the discretely presented component unit's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

Noncancellable operating leases for the Ohio County Hospital Corporation for equipment expire in various years through 2015. Rent expense totaled approximately \$761,000 and \$666,000 in 2010 and 2009, respectively. Future required minimum lease payments on these leases were as follows:

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Operating Leases (Continued)

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Amount</u>
2011	\$ 605,295
2012	273,310
2013	78,569
2014	49,428
2015	<u>22,655</u>
Future Minimum Lease Payments	<u><u>\$1,029,257</u></u>

Note 4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2010 was as follows:

	<u>Reporting Entity</u>			
	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 883,647	\$ 42,500	\$	\$ 926,147
Construction In Progress	69,953		(69,953)	
Total Capital Assets Not Being Depreciated	<u>953,600</u>	<u>42,500</u>	<u>(69,953)</u>	<u>926,147</u>
Capital Assets, Being Depreciated:				
Land Improvements		31,500		31,500
Buildings and Building Improvements	5,442,415	298,532		5,740,947
Machinery and Equipment	2,018,957	318,495		2,337,452
Vehicles	1,347,420	122,431	(98,072)	1,371,779
Infrastructure	<u>1,721,278</u>	<u>336,958</u>		<u>2,058,236</u>
Total Capital Assets Being Depreciated	<u>10,530,070</u>	<u>1,107,916</u>	<u>(98,072)</u>	<u>11,539,914</u>
Less Accumulated Depreciation For:				
Land Improvements		(1,134)		(1,134)
Buildings and Building Improvements	(1,797,300)	(93,826)		(1,891,126)
Machinery and Equipment	(612,043)	(142,900)		(754,943)
Vehicles	(566,374)	(96,148)	39,825	(622,697)
Infrastructure	<u>(202,571)</u>	<u>(61,803)</u>		<u>(264,374)</u>
Total Accumulated Depreciation	<u>(3,178,288)</u>	<u>(395,811)</u>	<u>39,825</u>	<u>(3,534,274)</u>
Total Capital Assets Being Depreciated, Net	<u>7,351,782</u>	<u>712,105</u>	<u>(58,247)</u>	<u>8,005,640</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 8,305,382</u></u>	<u><u>\$ 754,605</u></u>	<u><u>\$ (128,200)</u></u>	<u><u>\$ 8,931,787</u></u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 123,606	\$ 91,597	\$	\$ 215,203
Construction In Progress	40,520	1,009,788		1,050,308
Total Capital Assets Not Being Depreciated	164,126	1,101,385		1,265,511
Capital Assets, Being Depreciated:				
Land Improvements	1,824,493			1,824,493
Buildings and Building Improvements	633,825			633,825
Machinery and Equipment	40,320			40,320
Total Capital Assets Being Depreciated	2,498,638			2,498,638
Less Accumulated Depreciation For:				
Land Improvements	(392,637)	(82,102)		(474,739)
Buildings and Building Improvements	(150,839)	(22,928)		(173,767)
Machinery and Equipment	(29,031)	(3,629)		(32,660)
Total Accumulated Depreciation	(572,507)	(108,659)		(681,166)
Total Capital Assets, Being Depreciated, Net	1,926,131	(108,659)		1,817,472
Business-Type Activities Capital Assets, Net	\$ 2,090,257	\$ 992,726	\$ 0	\$ 3,082,983

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 116,696
Protection To Persons and Property	79,656
Social Services	3,600
Recreation and Culture	12,467
Roads, Including Depreciation Of General Infrastructure Assets	183,392
Total Depreciation Expense - Governmental Activities	<u>\$ 395,811</u>
<u>Business-Type Activities</u>	
Airport Board	<u>\$ 108,659</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 108,659</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for the discretely presented component unit for the year ended June 30, 2010 was as follows:

	Discretely Presented Component Unit			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 361,228	\$ 55,759	\$	\$ 416,987
Construction in Progress		179,031		179,031
Total Capital Assets Not Being Depreciated	361,228	234,790		596,018
Capital Assets, Being Depreciated:				
Land Improvements	264,807	82,157		346,964
Buildings	5,583,636			5,583,636
Equipment	12,231,237	880,411	(231,330)	12,880,318
Total Capital Assets Being Depreciated	18,079,680	962,568	(231,330)	18,810,918
Less Accumulated Depreciation For:				
Land Improvements	(225,705)	(11,877)		(237,582)
Buildings	(3,124,848)	(153,152)		(3,278,000)
Equipment	(9,843,478)	(646,056)	231,330	(10,258,204)
Total Accumulated Depreciation:	(13,194,031)	(811,085)	231,330	(13,773,786)
Total Capital Assets, Being Depreciated, Net	4,885,649	151,483		5,037,132
Business-type Activities Capital Assets, Net	\$ 5,246,877	\$ 386,273	\$ 0	\$ 5,633,150

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Ohio County Hospital Corporation	\$ 811,085
Total Depreciation Expense - Component Unit	\$ 811,085

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Short-term Debt

A. Line of Credit

On May 26, 2009, the County entered into a promissory note with the Bank of Ohio County for a \$300,000 line of credit in order to finance some of the costs incurred from the 2009 ice storm disaster clean up and recovery efforts. The terms of the agreement stipulate one payment of all outstanding principal plus all accrued unpaid interest at the effective rate of 3.950% per annum by the maturity date of May 26, 2010. Interest is calculated from the date of each advance until repayment of each advance. The County had received an advance in the amount \$50,000 against the line of credit in the prior year which was repaid along with accrued interest in July 2009. In August 2009, the County received an advance in the amount of \$300,000 which was repaid along with accrued interest in December 2009.

B. Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 50,000	\$ 300,000	\$ 350,000	\$ 0	\$ 0
Governmental Activities Short-term Liabilities	<u>\$ 50,000</u>	<u>\$ 300,000</u>	<u>\$ 350,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 6. Long-term Debt

A. Road Department Building

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on July 12, 1996, for the building of a road garage building in the amount of \$106,000. The interest rate is variable for 20 years. The termination date is October 20, 2011. The principal balance at June 30, 2010 was \$16,012. Future debt service requirements of the Road and Bridge Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 12,000	\$ 427
2012	<u>4,012</u>	<u>34</u>
Totals	<u>\$ 16,012</u>	<u>\$ 461</u>

B. Capital Projects

The County entered into an installment loan with the Bank of Ohio County on November 18, 2005 in the amount of \$1,600,000. The purpose of the loan was to finance the acquisition of property, to finance renovations and improvements to the courthouse, and to retire the Ohio County Buildings Commission First Mortgage Revenue Bonds, Series 1979. The interest rate is 4.92 percent for a period of twenty years with principal and interest payments due monthly. The principal balance at June 30, 2010 was \$1,359,567. Future debt service requirements of the General Fund are as follows:

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

B. Capital Projects (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 60,150	\$ 66,462
2012	63,046	63,566
2013	66,438	60,174
2014	69,829	56,783
2015	73,393	53,219
2016-2020	426,874	206,184
2021-2025	547,736	85,323
2026	52,101	653
Totals	<u>\$ 1,359,567</u>	<u>\$ 592,364</u>

C. Park Land

On January 14, 2008 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$250,000 with a variable interest rate. The financing obligation was used to purchase land to be used at the park. The maturity date of the obligation is January 20, 2023. The balance of the obligation at June 30, 2010 was \$222,049. Future debt service requirements of the General Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 12,082	\$ 9,073
2012	12,844	8,576
2013	13,654	8,035
2014	14,516	7,465
2015	15,432	6,855
2016-2020	93,058	20,763
2021-2023	60,463	4,076
Totals	<u>\$ 222,049</u>	<u>\$ 64,843</u>

D. Dump Truck

On March 10, 2009, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$103,194 for the purpose of refinancing a short-term lease agreement from the prior year that was used to purchase a 2009 tri-axle dump truck. The interest rate is variable with payments due on the 20th of each month and principal payments due annually on January 20th until the termination date of January 20, 2013. The principal balance at June 30, 2010 was \$78,194. Future debt service requirements of the Road and Bridge Fund are as follows:

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

D. Dump Truck (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 25,000	\$ 3,011
2012	25,000	1,989
2013	28,194	815
Totals	<u>\$ 78,194</u>	<u>\$ 5,815</u>

E. EMS Building

On August 5, 2009, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$300,000 for the purpose of financing the construction costs for a new EMS building. The interest rate is variable with payments due on the 20th of each month and principal payments due monthly on the 20th until the termination date of August 20, 2017. The principal balance at June 30, 2010 was \$273,030. Future debt service requirements of the Local Government Economic Assistance Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 33,571	\$ 10,804
2012	34,939	9,413
2013	36,363	7,965
2014	37,844	6,455
2015	39,386	4,882
2016-2018	90,927	4,883
Totals	<u>\$ 273,030</u>	<u>\$ 44,402</u>

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 1,852,809</u>	<u>\$ 300,000</u>	<u>\$ 203,957</u>	<u>\$ 1,948,852</u>	<u>\$ 142,803</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 1,852,809</u>	<u>\$ 300,000</u>	<u>\$ 203,957</u>	<u>\$ 1,948,852</u>	<u>\$ 142,803</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

G. Obligations Issued By the Ohio County Public Facilities Corporation

Effective August 30, 2005, the Hospital entered into a lease agreement and trust indenture with the County of Ohio, Kentucky, to pay principal and interest on the Series 2005 bond issue. The bonds mature serially at varying amounts through March 1, 2015, and require annual principal and semi-annual interest payments at rates ranging from 3.75% to 4.50%. The bonds are collateralized by all revenues generated by the Hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. These deposits are included with assets limited as to use in the financial statements.

Effective September 29, 2010, the Hospital entered into a lease agreement and trust indenture with the County of Ohio, Kentucky, to pay principal and interest on the Series 2010 bond issue. The bonds mature serially at varying amounts through March 1, 2030, and require annual principal and semi-annual interest payments at a 4.00% rate. The bonds are collateralized by all revenues generated by the Hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. These deposits are included with assets limited as to use in the financial statements.

H. Diagnostic Equipment

The Hospital entered into equipment capital lease agreements maturing in March 2011 and July 2015 totaling \$583,070. These lease agreements bear interest at an imputed interest rate of 8.50% and 6.35%.

I. Bank of Ohio County

The Hospital entered into a loan agreement maturing April 1, 2012; payable in monthly installments of \$8,365, including interest at 7.25%; secured by certain real estate.

J. Kentucky Trust Bank

The Hospital entered into a loan agreement maturing June 30, 2014; payable in monthly installments of \$3,042, including interest at 7.14%; secured by certain real estate and equipment.

K. Aggregate Annual Maturities of Long-term Debt - Discretely Presented Component Unit

The amounts of required principal payments on long-term debt and payments on capital lease obligations at September 30, 2010, were as follows:

<u>Fiscal Year Ended September 30</u>	<u>Revenue Bonds</u>	<u>Capital Lease Obligation</u>
2011	\$ 597,090	\$ 114,450
2012	655,370	80,128
2013	633,472	80,128
2014	643,696	80,128
2015	645,000	61,862
Thereafter	3,015,000	
Less amount representing interest		55,614
Totals	<u>\$ 6,189,628</u>	<u>\$ 361,082</u>

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Long-term Debt (Continued)

L. Changes in Long-term Debt- Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,720,000	\$ 3,620,000	\$ 410,000	\$ 5,930,000	\$ 475,000
Financing Obligations	460,087	344,070	183,447	620,710	216,489
Business-type Activities					
Long-term Liabilities	<u>\$ 3,180,087</u>	<u>\$ 3,964,070</u>	<u>\$ 593,447</u>	<u>\$ 6,550,710</u>	<u>\$ 691,489</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The county's contribution for FY 2008 was \$390,662, FY 2009 was \$329,002, and FY 2010 was \$398,717.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 8. Deferred Compensation

On November 25, 1985, the Ohio County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2010, Ohio County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Landfill

Ohio County holds the permit for the landfill, known as the Ohio County Balefill. The County owns the land and all capital improvements. Republic Services of KY, LLC, DBA Ohio County Balefill won the bid on the landfill franchise and operates and maintains the landfill. The franchise must be re-bid every twenty years. Republic pays the County \$1.60 per ton in tipping fees. The liability for closure and post closure costs lies with Republic for 30 years after the closure of the landfill.

Note 11. Assets Limited as to Use and Investment Return

Assets limited as to use, which are composed of money market funds, are stated at market value. Amounts required to meet certain liabilities of the Ohio County Hospital Corporation are included in current assets.

Assets limited as to use at September 30, 2010 included the following:

Held by trustee - money market mutual funds	\$ 4,079,930
Less amount required to meet current obligations	<u>(3,382,530)</u>
Net Amount Assets Limited As To Use	<u>\$ 697,400</u>

Investment return on assets limited as to use includes interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

OHIO COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 12. Patient Accounts Receivable

Patient accounts receivable for the Ohio County Hospital Corporation are stated at net realizable amounts from patients, third-party payers and others for services rendered, plus any accrued and unpaid interest. The Hospital provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Patient accounts receivable are ordinarily due 30 days after the issuance of the invoice. Balances past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payer.

Note 13. Prior Period Adjustment

The beginning net assets of the governmental activities has been restated due to the incorrect inclusion of a disposed of capital asset and for depreciation calculation errors. The effect of this change is a net decrease of \$4,990 in net assets in the governmental activities.

Note 14. Difference in Fiscal Year End of Discretely Presented Component Unit

The Ohio County Hospital Corporation, a discretely presented component unit of the Ohio County Fiscal Court, has a fiscal year end of September 30, 2010. The Fiscal Court, the primary government, has a fiscal year end of June 30, 2010. All amounts reported for the Ohio County Hospital Corporation represent account balances, receipts, and disbursements as of September 30, 2010.

Note 15. Subsequent Events

- A. On September 29, 2010, the Ohio County Public Facilities Corporation issued Lease Revenue Bonds, Series 2010, in the amount of \$3,620,000. The Lease Revenue Bonds were issued for the purpose of financing the purchase of land and construction of a medical office building and rural health clinic in Ohio County.
- B. On July 12, 2010, Ohio County entered into an Inter-Local Cooperative Agreement with Butler County. The purpose of the agreement was for the joint purchase, refurbishment, and operation of a ferry to transport persons, motor vehicles, and other approved cargo across the Green River between Ohio County and Butler County at Rochester, Kentucky.

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OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2010

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,130,300	\$ 1,130,300	\$ 1,210,370	\$ 80,070
In Lieu Tax Payments			334	334
Licenses and Permits	166,100	166,100	128,385	(37,715)
Intergovernmental Revenue	1,663,273	1,663,273	1,745,819	82,546
Charges for Services	89,750	89,750	109,615	19,865
Miscellaneous	146,332	146,332	193,058	46,726
Interest	4,100	4,100	1,958	(2,142)
Total Revenues	3,199,855	3,199,855	3,389,539	189,684
EXPENDITURES				
General Government	2,362,044	2,420,576	2,214,230	206,346
Protection to Persons and Property	703,504	736,562	526,298	210,264
General Health and Sanitation	216,593	212,434	180,166	32,268
Social Services	248,422	254,227	236,580	17,647
Recreation and Culture	315,117	318,117	256,906	61,211
Airports	18,000	18,000	11,269	6,731
Debt Service	169,525	173,226	169,087	4,139
Administration	1,199,799	1,165,842	1,028,618	137,224
Total Expenditures	5,233,004	5,298,984	4,623,154	675,830
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(2,033,149)	(2,099,129)	(1,233,615)	865,514
OTHER FINANCING SOURCES (USES)				
Transfers In	1,883,149	1,883,149	1,375,000	(508,149)
Total Other Financing Sources (Uses)	1,883,149	1,883,149	1,375,000	(508,149)
Net Changes in Fund Balance	(150,000)	(215,980)	141,385	357,365
Fund Balance - Beginning	150,000	215,980	218,372	2,392
Fund Balance - Ending	\$	\$	\$ 359,757	\$ 359,757

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD AND BRIDGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 250	\$ 250	\$	\$ (250)
Intergovernmental Revenue	1,548,708	1,812,767	1,808,603	(4,164)
Miscellaneous	27,500	27,500	24,937	(2,563)
Interest	8,000	8,000	4,918	(3,082)
Total Revenues	1,584,458	1,848,517	1,838,458	(10,059)
EXPENDITURES				
Roads	1,274,768	1,721,049	1,554,789	166,260
Debt Service	287,656	292,656	91,818	200,838
Administration	440,432	396,855	289,979	106,876
Total Expenditures	2,002,856	2,410,560	1,936,586	473,974
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(418,398)	(562,043)	(98,128)	463,915
OTHER FINANCING SOURCES (USES)				
Borrowed Money	200,000	200,000		(200,000)
Total Other Financing Sources (Uses)	200,000	200,000		(200,000)
Net Changes in Fund Balance	(218,398)	(362,043)	(98,128)	263,915
Fund Balance - Beginning	218,398	362,043	362,043	
Fund Balance - Ending	\$	\$	\$ 263,915	\$ 263,915

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,507,900	\$ 1,507,900	\$ 1,128,167	\$ (379,733)
Interest	2,000	2,000	1,435	(565)
Total Revenues	1,509,900	1,509,900	1,129,602	(380,298)
EXPENDITURES				
General Government	1,034,900	1,034,900	469,335	565,565
Protection to Persons and Property	555,360	559,771	505,418	54,353
General Health and Sanitation		5,000	5,000	
Social Services	5,000	5,000		5,000
Recreation and Culture	9,000	19,000	18,300	700
Roads	175,000	250,000	201,707	48,293
Airports	2,900	5,764	5,764	
Debt Service	45,000	45,000	37,488	7,512
Administration	22,740	22,828		22,828
Total Expenditures	1,849,900	1,947,263	1,243,012	704,251
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(340,000)	(437,363)	(113,410)	323,953
OTHER FINANCING SOURCES (USES)				
Borrowed Money	300,000	300,000	300,000	
Total Other Financing Sources (Uses)	300,000	300,000	300,000	
Net Changes in Fund Balance	(40,000)	(137,363)	186,590	323,953
Fund Balance - Beginning	40,000	137,363	137,363	
Fund Balance - Ending	\$	\$	\$ 323,953	\$ 323,953

OHIO COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

OCCUPATIONAL TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,010,275	\$ 2,010,275	\$ 2,226,444	\$ 216,169
Miscellaneous	3,184,740	3,236,740	1,983,051	(1,253,689)
Interest	6,500	6,500	10,583	4,083
Total Revenues	5,201,515	5,253,515	4,220,078	(1,033,437)
EXPENDITURES				
General Government	360,660	393,260	316,234	77,026
Protection to Persons and Property	3,064,740	3,064,740	1,209,743	1,854,997
Debt Service	300,500	351,214	354,472	(3,258)
Administration	88,966	287,070	33,704	253,366
Total Expenditures	3,814,866	4,096,284	1,914,153	2,182,131
Excess (Deficiency) Of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,386,649	1,157,231	2,305,925	1,148,694
OTHER FINANCING SOURCES (USES)				
Proceeds From Sale Of Assets				
Transfers Out	(2,408,877)	(2,408,877)	(1,900,728)	508,149
Borrowed Money	300,000	300,000	300,000	
Total Other Financing Sources (Uses)	(2,108,877)	(2,108,877)	(1,600,728)	508,149
Net Changes In Fund Balance	(722,228)	(951,646)	705,197	1,656,843
Fund Balance - Beginning	722,228	951,646	951,646	
Fund Balance - Ending	\$	\$	\$ 1,656,843	\$ 1,656,843

OHIO COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**OHIO COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2010

OHIO COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

	Jail Fund	Federal Grants Fund	Forest Fire Fund	Landfill Fund	Waterline Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 24,011	\$	\$ 2,834	\$ 303,691	\$ 188,618	\$ 519,154
Total Assets	<u>\$ 24,011</u>	<u>\$</u>	<u>\$ 2,834</u>	<u>\$ 303,691</u>	<u>\$ 188,618</u>	<u>\$ 519,154</u>
FUND BALANCES						
Reserved For:						
Encumbrances	\$ 311	\$	\$	\$	\$	\$ 311
Unreserved:						
Special Revenue Funds	<u>23,700</u>	<u></u>	<u>2,834</u>	<u>303,691</u>	<u>188,618</u>	<u>518,843</u>
Total Fund Balances	<u>\$ 24,011</u>	<u>\$</u>	<u>\$ 2,834</u>	<u>\$ 303,691</u>	<u>\$ 188,618</u>	<u>\$ 519,154</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

OHIO COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

	Jail Fund	Federal Grants Fund	Forest Fire Fund	Landfill Fund	Waterline Fund	Total Non-Major Governmental Funds
REVENUES						
Taxes	\$	\$	\$ 6,078	\$	\$	\$ 6,078
Intergovernmental	220,260	859,564				1,079,824
Charges For Services	35,989			123,998	112,692	272,679
Miscellaneous	15,605					15,605
Interest	334		15	1,831	1,852	4,032
Total Revenues	<u>272,188</u>	<u>859,564</u>	<u>6,093</u>	<u>125,829</u>	<u>114,544</u>	<u>1,378,218</u>
EXPENDITURES						
General Government		857,300				857,300
Protection To Persons and Property	596,933		4,793			601,726
General Health and Sanitation		2,264			153,855	156,119
Administration	163,369					163,369
Total Expenditures	<u>760,302</u>	<u>859,564</u>	<u>4,793</u>		<u>153,855</u>	<u>1,778,514</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(488,114)</u>		<u>1,300</u>	<u>125,829</u>	<u>(39,311)</u>	<u>(400,296)</u>
Other Financing Sources (Uses)						
Transfers In	<u>405,728</u>			<u>120,000</u>		<u>525,728</u>
Total Other Financing Sources (Uses)	<u>405,728</u>			<u>120,000</u>		<u>525,728</u>
Net Change In Fund Balances	(82,386)		1,300	245,829	(39,311)	125,432
Fund Balances - Beginning	<u>106,397</u>		<u>1,534</u>	<u>57,862</u>	<u>227,929</u>	<u>393,722</u>
Fund Balances - Ending	<u>\$ 24,011</u>	<u>\$</u>	<u>\$ 2,834</u>	<u>\$ 303,691</u>	<u>\$ 188,618</u>	<u>\$ 519,154</u>

The accompanying notes are an integral part of the financial statements.

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OHIO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OHIO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2010

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed -Through State Department of Education:		
Child and Adult Care Food Program		
Nutrition and Health Services	Not available	\$ 635
(CFDA #10.558)		
<u>U.S. Department of Homeland Security</u>		
Passed - Through State Department Of Military Affairs:		
Disaster Grants - Public Assistance		
Ice Storm	FEMA-1818-DR-KY	1,213,002
(CFDA #97.036)		
Emergency Management Performance Grants		
EMA Director Salary Supplement	M-05443535	30,503
(CFDA #97.042)		
Total U.S. Department of Homeland Security		1,243,505
<u>U.S. Department of Housing and Urban Development</u>		
Passed - Through Department for Local Government:		
Community Development Block Grant		
Tamerlane Industries Inc. Project	08-009	857,300
(CFDA #14.228) ***		
<u>U.S. Environmental Protection Agency</u>		
Direct Program:		
Congressionally Mandated Projects		
Regional Wastewater Treatment Facility	Not Available	2,000
(CFDA #66.602)		

*** Tested as Major Programs

OHIO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2010
(Continued)

Federal Grantor	Pass-Through	
Program Title	Grantor's Number	Expenditures
<u>Grant Name (CFDA #)</u>		
<u>U.S. Department of Health and Human Services</u>		
Passed - Through State Cabinet for Health and Family Services		
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		
Congregate Meals	09 11888-9	\$ 23,824
(CFDA #93.044)		
Special Programs for the Aging, Title III, Part C, Nutrition Services		
Home Delivered Meals	09 11888-9	26,408
(CFDA #93.045)		
Total U.S. Department of Health and Human Services		50,232
<u>U.S. Department of Transportation</u>		
Passed - Through Department for Local Government:		
Recreational Trails Program		
Trail Expansion	RTP 350-08 0-800011134	19,849
(CFDA # 20.219)		
Direct Program:		
Airport Improvement Program -		
Planning and Approach Development	03-21-0063-07-2008	12,558
Apron Expansion Project	03-21-0063-08-2009	408,368
Land Acquisition	03-21-0063-09-2009	86,688
(CFDA # 20.106) ***		
Total U.S. Department of Transportation		527,463
Total Expenditures of Federal Awards		\$ 2,681,135

*** Tested as Major Programs

OHIO COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2010

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Ohio County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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The Honorable David Jones, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 21, 2010, wherein, we issued a qualified opinion on the discretely presented component unit and made reference to the report of other auditors. Ohio County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Ohio County Hospital Corporation, as described in our report on Ohio County, Kentucky's financial statements. The financial statements of the Ohio County Hospital Corporation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ohio County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ohio County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ohio County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2 to be material weaknesses.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Ohio County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Management's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Ohio County Fiscal Court, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP

December 21, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TICHENOR & ASSOCIATES, LLP
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The Honorable David Jones, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Ohio County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Ohio County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ohio County's management. Our responsibility is to express an opinion on Ohio County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ohio County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ohio County's compliance with those requirements.

In our opinion, Ohio County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Ohio County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ohio County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ohio County's internal control over compliance.

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-3 and 2010-4 to be material weaknesses.

Management's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Ohio County Fiscal Court, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP

December 21, 2010

OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2010

**OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Ohio County. A qualified opinion is expressed on the discretely presented component unit.
2. Two material weaknesses relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Ohio County were disclosed during the audit.
4. Two material weaknesses relating to the audit of the major federal awards program are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Ohio County expresses an unqualified opinion.
6. There are two audit findings relative to the major federal awards program for Ohio County reported in Part C of this schedule.
7. The programs tested as major programs were: Airport Improvement Program (CFDA #20.106) and Community Development Block Grant (CFDA #14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Ohio County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES

2010-1 The Ohio County Airport Board Deposits Were Not Made Timely

During the performance of the Airport Board proof of cash, we noted that the Airport Board was not making daily deposits. KRS 68.210 prescribes minimum accounting requirements, which include deposits of receipts intact on a daily basis.

We recommend the Fiscal Court require the Airport Board to make daily deposits in order to be in compliance with KRS 68.210.

Airport Board Chairman Chuck Price's Response: The Airport Board has recently hired an Administrative Assistant that will make deposits at least once weekly.

2010-2 The Ohio County Detention Center Deposits Were Not Made Timely

During our testing of jail procedures, we noted that the jail was not turning over the fees collected from inmates on a timely basis. KRS 68.210 prescribes minimum accounting requirements, which include deposits of receipts intact on a daily basis.

We recommend the Fiscal Court require the Jail to make timely deposits in order to be in compliance with KRS 68.210.

County Jailer Gerry Wright's Response: None.

OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2010
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2010-3 The Fiscal Court Should Establish Procedures To Ensure Compliance With Suspension And Debarment Requirements

Federal Program:	<u>CFDA #14.228 - Community Development Block Grant</u>
Federal Agency:	<u>U.S. Department of Housing and Urban Development</u>
Pass-Through Agency:	<u>Department for Local Government</u>
Compliance Area:	<u>Procurement, Suspension, and Debarment</u>
Amount of Questioned Costs:	<u>\$0</u>

During our review of compliance with suspension and debarment requirements for the Community Development Block Grant, we noted that neither the Fiscal Court nor the Director of Grants Management hired to administer the grant documented that a search of the Excluded Parties Listing System was performed on the subcontractors or other vendors that provided goods or services under the grant. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. The only search performed was on the two contractors that were awarded the bids for the construction work for the project.

We recommend the Fiscal Court establish procedures to ensure that no transactions are made with suspended or debarred parties and that documentation be maintained to support compliance with suspension and debarment requirements.

County Judge/Executive David Jones' Response: County Judge and Fiscal Court should inform Grant writer to follow every step of the law to make sure each entity is a qualified vendor.

2010-4 The Ohio County Airport Board Should Establish Procedures To Minimize Elapsed Time Between Drawdown And Disbursement Of Federal Funds

Federal Program:	<u>CFDA #20.106 - Airport Improvement Program</u>
Federal Agency:	<u>U.S. Department of Transportation</u>
Pass-Through Agency:	<u>Not Applicable</u>
Compliance Area:	<u>Cash Management</u>
Amount of Questioned Costs:	<u>\$0</u>

During testing of federal cash drawdowns, it was noted that there were long delays in between the drawdown and disbursement of federal funds with the longest delay being seventy (70) days. According to OMB Circular A-102, recipients of federal funds should have written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient. The timing and amount of cash drawdowns should be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs.

We recommend that the Airport Board establish procedures to minimize elapsed time between drawdown and disbursement of federal funds.

Airport Board Chairman Chuck Price's Response: The Airport Board has been without an administrative assistant on a full-time basis for the last two years. We recently hired an administrative assistant that disburses funds in a timely manner.

OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2010
(Continued)

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2009-1 The Ohio County Airport Board Has A Lack of Internal Controls Over Monitoring Of Activities Allowed/Allowable Costs – **cleared.**

2009-6 The Ohio County Airport Board Should Establish Procedures To Minimize Elapsed Time Between Drawdown And Disbursement Of Federal Funds – **repeated. See 2010-4.**

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

OHIO COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2010**

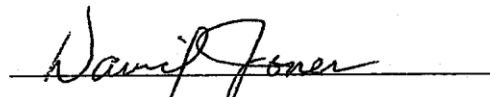
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

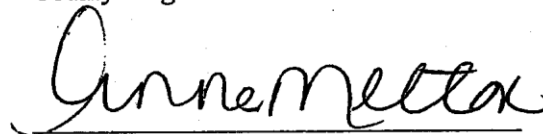
OHIO COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2010

The Ohio County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.


Name: David Jones

County Judge/Executive



Name: Anne Melton

County Treasurer

